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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:	EXTENSION	NO.
C/IDSB/SD/OL 1112 Ames Building	X3696	DATE 11 February 1974

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. DC/SD/OL		2/11		ILLEGIB
2. C/SD/OL EXO		2/11 2/11		[redacted]
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ILLEGIB

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3. In surveying our contacts in other government agencies to find out what actions they were taking to reduce the impact of the gasoline shortage we found a wide variety of responses. The following capsule sketches summarize these findings.

a. Department of the Army Inquiries were made at Military District of Washington (MDW) motor pool. LTC Taylor, the motor officer, maintains an allotment of fuel for transient Army vehicles. It is not a significant amount and while not a matter of policy, LTC Taylor expressed the opinion that most commanders would be extremely reluctant to provide fuel to vehicles not in their command.

b. The Air Force LTC Jones, our Pentagon focal point, advised that Office of Special Investigations agents carry commercial credit cards showing the U.S. Government as the customer. As a backup each agent is supplied a letter from a command element at Bolling AFB authorizing the bearer to draw fuel at any military facility.

c. U.S. Navy Our inquiries with our Naval focal point on the subject of contingency plans to combat the effects of the gasoline shortage produced nothing. The Navy has not surfaced any procedures on the subject. The fact that the Navy is supplying gasoline to the Washington GSA motor pool indicated that at least locally the Navy has sufficient gasoline.

d. General Services Administration GSA has, in addition to its own motor pools, the ability to draw gasoline from the facilities of Government Departments, specifically mentioned were the Departments of Agriculture, Transportation and the Postal Service. Cross-servicing agreements between GSA and these agencies provide for this access. The Postal Service agreement may be suspended as a result of a Postal Service decision to impose a five cent per gallon surcharge on any interagency transactions. GSA has in the past issued credit cards for use by Agency vehicles. Official U.S. Government vehicles that carry a GSA credit card will be provided gasoline, if it is available, at any GSA pump.

e. FBI and Bureau of Narcotics and Dangerous Drugs Since no direct liaison contacts between the Supply Division and these agencies exist, we asked the assistance of the Office of Security in soliciting information. Mr. Steve Kuhn, Chief, Operations Personnel Security and Investigation Directorate, Office of Security made the determination that it would be inappropriate to make such inquiries at this time.

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made, our chances of negotiating a mutually beneficial arrangement are problematical at best. Mr. Rhodes, our GSA contact, would treat everyone alike at the motor pool at 49th & 'L". As of today we would get an equal share first come, first served. Nevertheless, we do recommend positive pursuit of the courses of action outlined below.

7. Recommendations

In view of the foregoing, the following recommendations are presented for your consideration:

a. Three lines of communication should be opened to establish the feasibility of obtaining gasoline from domestic distribution points operated by GSA, the Postal Service, and the Armed Services for officially registered vehicles.

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priority should be given to creating a viable working relationship with the Postal Service. In a worst case situation it is safe to assume that the Postal Service will receive a larger priority than GSA in the allocation of fuels.

b. It is further recommended that we use this opportunity to revalidate the CTVA and the vehicle registrations of government owned vehicles operating outside the metropolitan area.

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THE WASHINGTON POST
Wednesday, March 13, 1974

FEO Sets Study on Rationing

By Tim O'Brien
Washington Post Staff Writer

The Federal Energy Office has set June 3 as the target date for imposing nationwide gasoline rationing, if it is found necessary, and the office is contracting for a study of the impact of rationing on business and industry.

Any decision to ration will have to be made at least a week before implementation, in order to inform coupon distribution centers of the details of the program.

An FEO spokesman confirmed yesterday that the agency is using June 3 as a target date for imposing any rationing program, but he stressed that rationing can be avoided and is not inevitable.

The date was first revealed by FEO officials at a closed meeting on Monday with representatives of several research and consulting firms. The firms were asked to submit bids by March 18 on a last-minute project to survey the gasoline needs and consumption patterns of U.S. business.

Sources at the meeting said the consultants were given a "very tight" timetable on which to complete the research, based on the June 3 target date. The research involves a national survey of 3,800 randomly selected businesses and industries to analyze the impact of gasoline rationing on the commercial sector and to provide data upon which to make rationing decisions.

The FEO spokesman said one use of the survey may be to modify or elaborate on the standby rationing proposal that was announced in January. He said the January proposal would ration gasoline to businesses on the basis of historic gas consumption per commercial vehicle, and that "this might be inequitable—very difficult" to do.

He said June 3 is the "logical date when everything could be put together" and that the preparatory and planning work of the agency centers on that date. "But events could force an earlier date," he said.

Reportedly seven consulting and research firms were represented on Monday at the FEO's briefing on the gasoline survey project. Charles Scott, the agency's technical director of the project, said the survey should be low-key. A source said Scott "didn't want to arouse public anticipation or speculation or concern" over possible rationing.

According to sources at the meeting, Scott said the June 3 date was chosen because gasoline use historically peaks in late spring and early summer. He reportedly said the details of a rationing program will have to be decided upon by April 15, since a 30-day waiting and comment period is required before the rules can become effective. In addition, the FEO wants to give the public two weeks' warning.

The sources said the research contract calls for a preliminary report by April 5, showing the percentage of all gasoline that is used in other than private activities, broken down by type of business and industry.

By April 15, a report is to be submitted on gasoline use by small businesses. It would include recommendations for rationing gas to the non-private sector.

Other reports would include an analysis of the quality of business records on gasoline use and further breakdowns on commercial gasoline consumption.

An energy office spokesman said other studies into the implications of rationing are under way, but he would not give any details.

Sources who attended the Monday meeting said Scott indicated that the FEO is trying to develop an equitable rationing plan for the non-private sector and that the agency wants to go beyond the present formula based on the number of motor vehicles operated by a business.

Other rationing techniques, Scott reportedly said, might be based on the size of a business, the number of employees or dollar sales.

He reportedly said the national survey of businesses would provide data to help answer this question.

Meanwhile yesterday, the administration submitted to Congress a new energy bill to provide authority to impose end-use rationing and various mandatory conservation measures, if they become necessary. Authority for the President to impose rationing was included in the Energy Emergency Act that was vetoed Feb. 28.

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Approved For Release 2000/08/29 : CIA-RDP78-05599A000100080008-8

Gas Lines As Social Levelers

By Betty Beale

Star-News Staff Writer

Bystanders who watched celebrities come and go during Alice Longworth's recent birthday party noticed that the engine of the presidential car was kept running during the entire time the Nixons were inside. Some of them complained and blamed the President for needless waste of gas but, of course, he had nothing to do with it. The Secret Service kept the motor running presumably to whisk him away in a hurry if they had to.

The Secret Service, being a law enforcement agency, has its own gas pumps but they are in such demand the official cars accompanied by agents frequently have to line up to get gasoline. Eligible for their use are presidential and vice presidential cars, those of the secretaries of State and Treasury and, in the past three weeks, the car of His "Czarship," Bill Simon, who has been getting threatening letters. But other cabinet cars wait their turn at public pumps.

Betty Beale

So if you've been gnashing your teeth while inching forward in a gas line, confident that federal bigwigs have a better deal going — relax. Most of them are in the same boat as you are and their spouses are doing as much as the average housewife in America to conserve fuel. The wives of both the Secretary of the Treasury George Shultz and the "Czar" said: "I drive my own car and I wait in line like everyone else."

MRS. SHULTZ SAID: "People get very annoyed when they see cabinet members riding around in big cars." "But her husband can see very little difference in the amount of gas consumed by his tan Chevy and his former black limousine.

Voicing his sentiments, no doubt, she said: "If Congress would just lift the price controls on oil we wouldn't have any shortage. Other countries are getting it. But it's good for all of us. I walked to church Sunday to save gas."

Mrs. Simon pays cash at gas stations so they won't know who she is. "One station knows me," she said, "and when I go there I hear nothing but complaints."

To conserve gas she has become involved in a lot of car pools and she has cut down her errands. "I am home almost all the time. I wait until the children get home from school and combine all our errands. I market only once a week."

MRS. FRED DENT, wife of the Secretary of Commerce, said they have told her husband's driver: "Please don't run the engine unless you are frozen." When there's no parking problem they generally drive themselves. Their official car, a little Valiant, no longer comes to their house to bring her mail or briefings on their engagements. At Mrs. Dent's request all such material is read to her over the phone now.

HEW Secretary Caspar Weinberger's driver never runs the engine to listen to the radio or keep warm. He carries his own battery-run portable TV and watches it until his boss comes out. If it's cold he gets himself invited into the kitchen of the house the Weinbergers are visiting. "He has lots of friends," said Mrs. Weinberger.

She makes a point of finding out who else is heading for the same function she is and then forms a car pool. "I walk most of the time for obvious reasons," said Mrs. Weinberger, who is reducing.

Secretary of Agriculture and Mrs. Butz switched to a Ford before anything was said about changing from Cadillacs. "We weren't used to a Cadillac, anyhow," said Mrs. Butz. "Earl had to get used to someone helping him put on his overcoat and holding open the car door."

THE VICE PRESIDENT'S Secret Service men "wear longjohns to keep warm," said Mrs. Ford's secretary, Nancy Howe. When their cars are parked outside the Ford's house in Alexandria the Secret Service men use an extension cord to connect an electric heater in the car with an outlet on the side of the house.

Though it may not be the chic way of doing it, Betty Ford saves gas by having the driver stop for errands — picking up clothes at the dry cleaners, for example — while driving her to or from a function.

The pilot of the small jet that carried the Fords to and from New York earlier this week was so bent on saving fuel he "didn't warm up the plane before we got on and it was like an iceberg until it had been airborne for 10 minutes," observed Mrs. Howe.

As for our lawmakers, all senators and representatives have to queue up at service stations except the leaders of Congress who have the best deal of all. They not only have their own special supply but they don't even have to pay for it!

WHY THOSE LINES GET LONGE[R]

The scene is the same in one area after another: scores, even hundreds of cars, stretching as far as the eye can see, winding around corners, creating traffic jams. Inside the cars are drivers trying —not always with success—to control their tempers as they spend an hour or more waiting their turn at the gasoline pumps. Many are wondering:

Why are the lines so long, and getting longer? Is there any hope that the gas shortage will end any time soon? How high will gas prices [...] Can't the Government do something about [...] foul-up? Why can't the President and Cong[ress] get together on what needs to be done? If ga[s is] really so short, why not go to a coupon ration[ing] plan and be done with it?

To get answers—based on hard facts and [fig]ures—to these and other questions, "U. S. N[ews] & World Report" went to experts who know [the] fuel situation best.

How did this country—all of a sudden—get into this energy mess?

To start at the beginning—it wasn't that sudden. The first signs of an energy crisis appeared more than a year ago, when demand started outrunning supply in this country. In the winter of 1972-73 there were severe shortages of fuel oil in New England and in the Midwest. Thanks only to unseasonably warm weather in the last half of that winter was the country able to squeak through without great discomfort.

Fuel-oil shortages were followed by gasoline scarcity in some places in the early summer of 1973. Shortages were in the range of 3 to 5 per cent. But those early warning signals were ignored by the public at large. The feeling seemed to be: It can't happen here.

If there were warning signals more than a year ago why wasn't something done?

A few things were done. One move was to scrap controls on imports of oil in the spring of 1973. This made more crude oil and refinery products available to the United States. Oil imports shot up from an average of 4.7 million barrels a day in 1972 to 6.5 million barrels daily in 1973. Most of this big increase came from Arab lands of the Mideast which were boosting production. But even with this surge of new supply, demand for fuel in this country was rising so fast that there was no surplus.

What brought on the feeling of crisis was the Arab embargo on all shipments of oil to the United States, which came at the start of the Yom Kippur war with Israel last October. When the embargo became fully effective around the first of the year, imports dropped back by about 2 million barrels a day.

Why is the shortage mainly in gasoline? There seems to be enough fuel oil for homes—

When it became obvious last autumn that there wasn't going to be enough crude oil to meet normal demand for all petroleum products, the Government directed U. S. refineries to emphasize production of fuel oil for home heating and industry. Refineries can switch as much as 5 per cent of capacity to either fuel oil or gasoline. Therefore, gasoline production was deliberately curtailed.

Did the switch to fuel oil have to be so extreme?

As it turned out, no. Two unexpected things happened. Voluntary efforts to conserve heating fuel [illegible] more effective than anticipated. More importantly, the winte[r in] areas most dependent on oil for heating has been one of [the] mildest in recent memory. So there has been more [than] enough heating oil to go around.

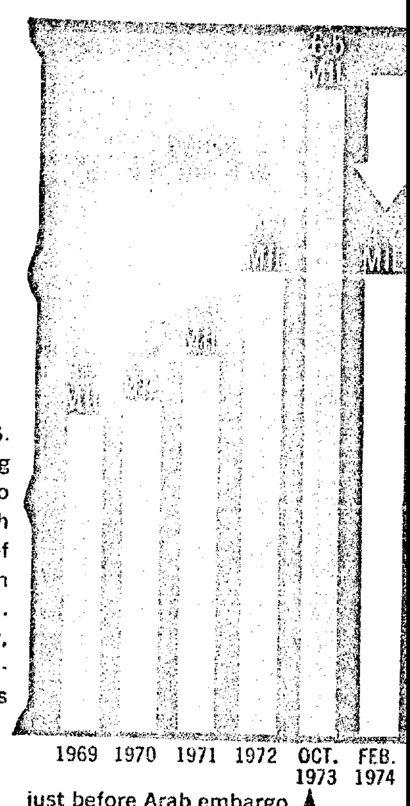
Why doesn't the Government change signals and o[rder] more gasoline output?

That's happening now. Refineries are being encourage[d to] make as much gasoline as possible. But the planners w[ere] apprehensive about allowing this sooner in view of the c[...]

Impact of Arab Embargo

TURNABOUT IN OIL IMPORTS AFTER A QUICKENING RISE

For years, the U.S. had been stepping up imports of oil to meet its needs, with roughly one third of the oil coming from Arab countries. Then, in October, 1973, the Arabs embargoed shipments to the U.S.



Source: American Petroleum Institute; U.S. Bureau of Mines

[...]974, U. S. NEWS & WORLD REPORT.

brush with crippling fuel-oil shorta in the winter of 1972-73. William Simon, Administrator of the Federal Energy Office, says he would rather face the wrath of a motorist in a gasoline line than that of a home-owner whose family has no heating oil to warm its home.

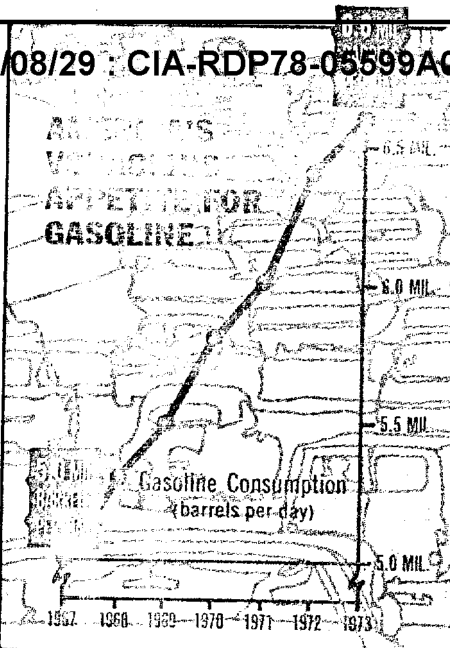
Now that U. S. refineries are going all out to produce gasoline, will there be enough to go around?

Not unless Arab leaders lift the embargo on shipments of oil to the U. S. An aide to energy chief Simon gives this outlook:

"U. S. refineries are gasoline oriented. That is what they do best—produce gasoline. But as long as the Arab embargo is in effect, the refineries can run at no more than 80 per cent of capacity. This means that where last summer's shortage of gasoline was on the order of 3 to 5 per cent, the shortfall this coming spring and summer will be around 20 per cent —unless the Arabs relent."

Is there any indication that Arab leaders will lift the embargo?

Secretary of State Henry A. Kissinger was assured by Arab leaders, before he departed on February 25 for another try at helping negotiate peace in the Mideast, that the embargo would be lifted if he were successful in mediating differences between Israel and Syria. Sources close to Mr. Kissinger said he would not have undertaken this mission unless he felt chances were good for achieving a settlement that would satisfy both Arabs and Israelis, and thus bring a lifting of the embargo.



Before Arab embargo, Americans were using more than 45 million barrels of gasoline every week—enough to fill a train of railroad tank cars reaching from Washington, D.C., to Kansas City.

NOW, this country's motorists have cut back to around 40 million barrels of gasoline per week, a reduction in consumption of more than 10 per cent.

Source: American Petroleum Institute; U.S. Bureau of Mines

Will a lifting of the embargo mean an end to the gasoline lines in the U. S.?

Not immediately—for several reasons. According to Annon M. Card, vice president of Texaco, Inc., people may see some improvement in supply within 30 to 45 days, but it will take 60 to 90 days for the flow of crude oil from the Mideast to reach the U. S. in substantial amounts. Just how soon the effects are felt will depend on many factors, including the location of big tankers and the size of Mideast stockpiles.

It also will be necessary for the major Arab oil-producing nations—particularly Saudi Arabia and Kuwait—to restore production to pre-embargo levels. All told, Arab production now is running about 3 million barrels a day below the level of last September, just before the embargo and production cutbacks were imposed in October. Officials of U. S. oil firms operating in the area are hopeful that production will be restored, and possibly increased beyond the pre-embargo level, once the Arab leaders are satisfied with terms for settling the Mideast war.

Will there be more gasoline available in March than there was in February?

Federal energy officials had expected March allocations might be slightly larger. However, Shell Oil Company and Amoco Oil Company, two of the nation's largest marketers, announced that their stations will receive less in March. Amoco stations will get 75 per cent as much gas as they got in March, 1972, whereas in February they were given 80 per cent of their February, 1972, total.

Shell dropped its allocation nationally from 85 per cent in February to 70 per cent in Marc using the same base months.

If the shortages are going to continu why not go to rationing and be do with it?

Federal officials, from President Nixo on down, adamantly oppose rationin Mr. Nixon says it would take 17,000 20,000 bureaucrats to run a rationin system. Energy Office estimates are th it would cost 1.5 to 2 billion dollars year. The present allocation system, say Mr. Simon, should solve the problems getting gasoline without imposing th "burden" of rationing.

Not everyone agrees. Senator Mik Mansfield (Dem.), of Montana, Senat Majority Leader, urges rationing now And the National Petroleum Council, a industry group that advises the Govern ment, recommends:

"If the federal allocation program cannot both reduce consumption and sat isfy consumers, then additional manda tory actions will be required. Thes should include additional use of odd even-day purchase plans, requirement that retail purchasers cannot refill thei tanks unless half empty and staggerin selling hours among retail outlets. I these measures to improve distributio and minimize inconvenience are not suc cessful, and public compliance does no increase substantially, the nation wil have no alternative but to institute some system of mandatory rationing."

The public, however, is still leery of rationing. A Gallup Poll, released February 28, showed 37 per cent in favor of rationing with 53 per cent opposed. A month earlier, the poll found 34 per cent for and 56 per cent against. In both polls, 10 per cent were undecided.

One Governor has charged that there are more than 200 million barrels of gasoline held in storage tanks of the oil companies and if this were turned loose, everybody would have plenty. Is he right?

Latest figures show that total gasoline stocks in the industry amounted to 221 million barrels in late February. But America's appetite for gas is so voracious that this would last only 39 days at the current rate of use. Before the Arab embargo, as shown in the chart on this page, Americans were using around 6.6 million barrels of gasoline each day.

In recent years, experience has shown that at least 195 million barrels of gasoline are needed just to keep supply lines operating between refineries and service stations. So there is relatively little surplus gasoline in today's inventory.

Is there anything to reports that some oil companies and gasoline distributors are hoarding gasoline, waiting for higher prices?

There apparently is some of this going on. Oil brokers, who make a business of locating scarce fuel for customers willing to pay the asking price, are able to put their hands on sizable amounts, but at prices far above the current market.

Industry officials insist, however, that it would be impossible to hoard enough gasoline to alleviate today's shortage. Asks one: "Where are you going to hide even a week's supply of gasoline when that would fill a train of tank cars reaching halfway across the U. S.?"

(continued on next page)

LONGER LINES

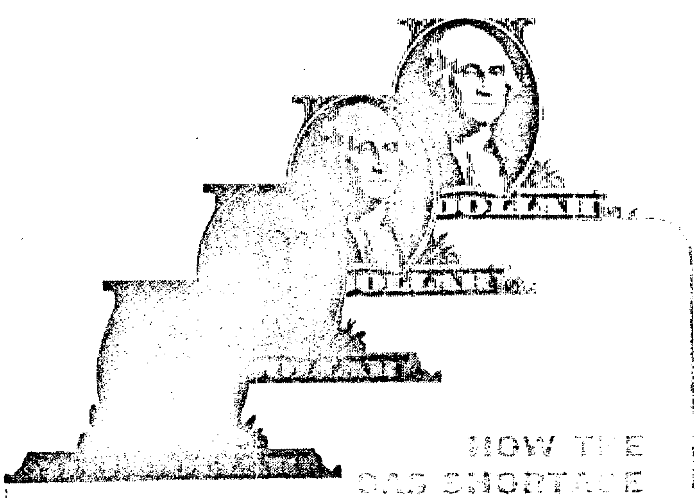
[continued from preceding page]

Why do some sections of the country have plenty of gas while in others there are long lines and empty tanks?

At a Senate committee hearing on February 27, John Sawhill, deputy director of the Federal Energy Office, listed five reasons: (1) each State has a different mix of gasoline suppliers, some of whom have more stocks than others; (2) each State has a different ratio of farmers, who get all of the gasoline they need before fuel is divided among service stations; (3) the type of driving varies from State to State, and conservation measures have less effect in urban commuting areas; (4) growth rates in gasoline sales have varied from State to State since 1972—when the base rate for the present allocation program was fixed; (5) city stations are feeling the shortages more severely because people are filling their tanks as close as possible to where they live or work, and many no longer venture out along the highways and buy gas in rural areas.

Has the odd-even-day purchase system worked?

It has, in some areas, particularly when it was first put into operation. This was true in Oregon where it originated, and seemed to be true in late February when New York State switched to a mandatory odd-even system. Those who favor such systems note that they work when there is at least a basic supply of gasoline but tend to fall apart if the shortages become severe.



HOW THE GAS SHORTAGE BOOSTS THE COST OF DRIVING

The price of a gallon of gasoline has skyrocketed in many parts of the U. S. from 38 cents in mid-1973 to 50 cents—and some officials warn the cost might reach 70 cents by summer.

How much does the price boost add to the cost of driving a car? Suppose you drive a car 10,000 miles a year. Here's how annual costs rise, depending on how many miles you get to a gallon of gas (mpg)—

	Annual gasoline costs at—		
	38¢ a Gallon	50¢ a Gallon	70¢ a Gallon
10 mpg	$380	$500	$700
12 mpg	$317	$417	$583
14 mpg	$271	$357	$500
16 mpg	$238	$313	$438
[illegible]	[illegible]	[illegible]	[illegible]
20 mpg	$190	$250	$350

Some experts suggest a major part of the problem is psychological, and that this is difficult to deal with. The Detroit area, free of lines until the closing days of February, is an example. Some stations ran out before the end of the month and closed. Lines immediately formed at stations still open and word quickly spread that "there's no gas in Detroit—they've siphoned it out for New Jersey and New York"—a report for which there was apparently no foundation.

Gasoline prices went up again March 1. Why?

Federal energy officials give three basic reasons: First, federal price regulations permit companies to raise the wholesale price of gasoline once each month to "pass through" any added costs they are forced to pay for crude oil. Second, about 90 per cent of the service stations—all those not directly owned by major oil refiners—were authorized by the Energy Office to increase prices 2 cents a gallon, effective at the start of this month, to compensate for their lower volume of business. Third, to hasten the refinery switchover to gasoline production, the Government granted refiners a penny-a-gallon price increase.

There are some who claim that as soon as prices rise high enough gasoline will be plentiful everywhere, and lines will disappear. Is this possible?

That's what happened in Europe after price increases of around 40 per cent. There is no consensus on how high the price would have to go in this country before demand would be trimmed to the level of available supplies. There are suggestions that the market would "clear" if prices rose to an average of 60 to 70 cents a gallon. However, a private staff study within the Federal Energy Office suggested that prices would have to go above $1 to balance demand if supplies are not increased.

Have higher prices caused less driving by Americans?

There is little evidence that buyers are resisting stations' selling at higher prices. An Elmont, N. Y., dealer pumped 5,000 gallons of imported Belgian gas in one day at 69.9 cents a gallon but reported lines about the same as other stations in the area that were selling at 53.9 cents.

What about charges that the oil companies have taken advantage of the crisis to reap record profits?

Statistics compiled by the Senate Finance Committee show that profits of 22 of the largest U. S. oil companies rose by 50 per cent in 1973—from 6 billion dollars to 9.1 billion. Some industry experts say that another increase of as much as 50 per cent is possible in 1974, but add that much depends on what happens to efforts in Congress to impose price rollbacks and taxes on excess or windfall profits. Also unknown is what action will be taken by the Arab nations and other oil-rich countries to increase taxes on firms operating abroad, or to nationalize their properties.

What do oil-industry officials say about those high profits?

They maintain the big increase in 1973 was from a low base of profits in 1972. They also say that profits must continue to increase to provide capital for more exploration and for research and development of new energy sources.

Why can't Congress and the President get together on what legislation is needed to help solve energy problems?

In November, Mr. Nixon asked Congress for broad powers in an emergency energy act, including the power to invoke rationing if he decided it was necessary. The Senate and the House of Representatives both added other measures. A bill sent to the President on February 27 included a price rollback to the controlled price of $5.25 a barrel for all domestic oil not now covered by controls. This is oil from new wells and "stripper" wells, that produce 10 barrels a day or less. Future prices would be allowed to go no higher than $7.09. In announcing plans to veto the measure, Mr. Nixon said the rollback would cut production, lengthen gas lines and force rationing "and that we're not going to have." [END]

Next 10 Page(s) In Document Exempt